



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202

REPORT
NO. 92-105

June 23, 1992

MEMORANDUM FOR ASSISTANT SECRETARY OF DEFENSE (PRODUCTION AND LOGISTICS)
ASSISTANT SECRETARY OF THE ARMY (FINANCIAL MANAGEMENT)
ASSISTANT SECRETARY OF THE NAVY (FINANCIAL MANAGEMENT)
ASSISTANT SECRETARY OF THE AIR FORCE (FINANCIAL MANAGEMENT AND COMPTROLLER)
DIRECTOR, DEFENSE LOGISTICS AGENCY

SUBJECT: Report on the Audit of Requisitions for Spare and Repair Parts in Support of Operation Desert Storm (Project No. 1LE-5003)

Introduction

This is our final report for your information and use. The audit was conducted from November 1990 through October 1991 at the request of the Office of the Assistant Secretary of Defense (Production and Logistics). The objective was to evaluate actions taken by DoD wholesale inventory management activities in response to spare and repair parts requisitions relating to Operation Desert Storm, including Operation Desert Shield. We also reviewed the disposition of some requisitions that were not placed on back order and the effect of requisitions on the wholesale supply system inventory. We concluded that the inventory management activities provided commendable logistics support for spare and repair parts requisitions.

Background

In August 1990, the Military Departments started a massive deployment effort to the Persian Gulf region. This effort began as Operation Desert Shield and evolved into Operation Desert Storm after hostilities commenced. Operations Desert Shield and Desert Storm required extensive logistics support from the DoD inventory control points (ICPs).

In the DoD, there are 17 major ICPs under the Military Departments and the Defense Logistics Agency that provide spare and repair parts support to military customers. The primary mission of the ICPs is to maximize the operational readiness of weapon systems through supply availability and, at the same time, maintain a minimum investment in inventory. During the first 3 months (August through October 1990) of the deployment, the DoD logistics system received about 500,000 requisitions, primarily for spare and repair parts, valued at over \$2 billion.

Scope of Audit

During the early stage of our audit, we obtained a universe of about 500,000 requisitions for Operation Desert Shield/Storm support submitted electronically through the Defense Automated Addressing System Office to DoD ICPs. From that universe, we randomly selected for review the inventory management records relating to 644 requisitions for spares and repair parts valued at \$472.7 million that were submitted to 9 of the 17 ICPs. We did not review requisitions related to ammunition and fuel. We also did not review any requisitions related to subsistence, clothing and textile, and medical because of an ongoing General Accounting Office survey at the Defense Personnel Support Center, Philadelphia, Pennsylvania. The purpose of the sample was to determine whether the ICPs were providing adequate logistics support to the requisitioner. We later selected two statistical samples from 14,140 requisitions that were canceled and 103,809 requisitions that were not filled. We reviewed the cancellations to determine whether they were appropriate and did not adversely affect readiness. We reviewed the back ordered requisitions after the cessation of hostilities to determine whether the materiel was still required. Records reviewed included customer order files, authorization documents and parts requirements from June 1990 through December 1991. The activities visited or contacted are listed in Enclosure 1.

Personnel from the Quantitative Methods Division, Office of the Assistant Inspector General for Auditing, DoD, provided assistance in our sampling methodology.

This economy and efficiency audit was made in accordance with auditing standards issued by the Comptroller General of the United States as implemented by the Inspector General, DoD, and accordingly, included such tests of internal controls as were considered necessary. This report claims no monetary benefits.

Internal Controls

We reviewed internal controls to ensure that ICPs promptly ordered spare and repair parts to be shipped to the user when materiel was on hand, and if not on hand, that ICPs took prompt actions to obtain the needed assets through procurement, redistribution of assets, or repair programs. We also reviewed controls at the ICPs to preclude the issuance of unauthorized or excessive quantities of materiel. Additionally, we reviewed ICPs' controls to discontinue supply action when customers canceled orders and controls at the customer level to ensure that customers canceled requisitions (back orders) when materiel was no longer required. The internal controls applicable to the audit objectives were deemed to be effective in that no material deficiencies were disclosed by the audit.

Prior Audits and Other Reviews

General Accounting Office Report No. NSIAD-91-321 (OSD Case No. 8669), "Operation Desert Storm: The Services' Efforts to Provide Logistics Support for Selected Weapon Systems," September 26, 1991, lauded the DoD wholesale supply systems for their logistical efforts in support of selected Army, Navy, Air Force, and Marine Corps air and ground weapon systems that were deployed to the Persian Gulf.

General Accounting Office Report No. NSIAD-92-81 (OSD Case No. 8989), "Operation Desert Storm: Improved Air Force Procedures Are Needed For Special Project Supply Orders," January 31, 1992, specified that Air Force units did not always cancel outstanding back orders authorized for Operation Desert Storm as soon as they should have. The report recommended that back ordered Desert Storm requisitions be reviewed and canceled when no longer needed.

Discussion

The DoD wholesale inventory management activities took commendable actions to ensure logistics support of spares and repair parts requisitions for Operation Desert Shield/Storm. Each of the ICPs maintained emergency operation centers to oversee and promptly fill Desert Storm requisitions. Those organizations effectively supplemented routine requisition processing at the ICPs. Our review of the statistical sample of 644 requisitions for spare and repair parts for Desert Storm support that were submitted to 9 of the 17 ICPs disclosed that the ICPs' logistics responses were both prompt and appropriate. When materiel was in stock, the ICPs ordered shipments promptly; when materiel was not in stock, the ICPs promptly initiated actions to obtain the materiel by procurement, redistribution, or repair programs. Those actions resulted in requisition fill rates that generally exceeded peacetime goals and in back order rate reductions at six of the nine ICPs reviewed from October 1990 through February 1991. For example, the back order rate at the Defense Electronics Supply Center was reduced from 7.6 percent to 4.7 percent.

Our review of 88 back orders and 206 cancellations that were processed in February 1991 disclosed no significant adverse conditions. Some cancellations were made, for example, to preclude the issuance of unauthorized or excessive quantities of materiel. Based on discussions with selected units, when customers did not receive materiel because their requisitions were canceled or back ordered, their mission capability was not measurably degraded.

Other Matters of Interest

Because of the rapid cessation of hostilities, we expanded our original audit objectives to include an evaluation of the effect of Operation Desert Storm requisitions for spare and repair parts on the DoD wholesale supply system's future peacetime inventory requirements.

The audit disclosed that the demands placed on the Army and the Defense Logistics Agency supply systems substantially increased computed inventory requirements of some items to levels that would be greater than needed to support future peacetime requirements. These conditions were reported to the Army in OIG, DoD, Report No. 92-027, "Quick-Reaction Report on the Army's Adjustment of Wholesale Inventory Levels After Operation Desert Storm," December 19, 1991, and to the Defense Logistics Agency in OIG, DoD, Report No. 92-033, "Quick-Reaction Report on the Defense Logistics Agency's Adjustment of Wholesale Inventory Levels After Operation Desert Storm," January 10, 1992. The Components have agreed to adjust their computations of inventory levels to obviate Operation Desert Storm influence on the levels.

We provided a draft of this report to the addressees on April 21, 1992. Because there were no recommendations, no comments were required of management, and none were received. Since there are no unresolved issues, written comments on this report are not required.

We appreciate the courtesies and cooperation extended to the audit staff. The audit team members are listed in Enclosure 2. Copies of this final report will be distributed to the activities listed in Enclosure 3. If you desire to discuss this final report, please contact Mr. James Helfrich, Program Director, or Mr. John Issel, Project Manager, at (614) 692-4141 (DSN 850-4141).



Edward R. Jones
Deputy Assistant Inspector General
for Auditing

Enclosures

cc:

Secretary of the Army
Secretary of the Navy
Secretary of the Air Force

ACTIVITIES VISITED OR CONTACTED

Office of the Secretary of Defense

Assistant Secretary of Defense (Production and Logistics), Supply
Management Policy, Washington, DC

Department of the Army

Deputy Chief of Staff (Logistics), Washington, DC
Army Materiel Command, Alexandria, VA
U.S. Army Aviation Systems Command, St. Louis, MO
U.S. Army Tank-Automotive Command, Warren, MI
U.S. Army Missile Command, Huntsville, AL
U.S. Army Ammunition and Chemical Command, Rock Island, IL
Consolidated Property Office, Sacramento Army Depot,
Sacramento, CA
National Training Center, Fort Irwin, CA
1st Battalion, 18th Infantry, 197th Infantry Brigade, Fort
Benning, GA
Fort Sheridan, IL
Fort Stewart, GA
Fort Lee, VA
Fort Polk, LA
5th Army, Fort Sam Houston, TX
Fort Hood, TX
U.S. Property and Fiscal Office for New York, Albany, NY
U.S. Property and Fiscal Office for Iowa, Des Moines, IA
U.S. Property and Fiscal Office for Tennessee, Nashville, TN
U.S. Property and Fiscal Office for Kentucky, Frankfort, KY
U.S. Property and Fiscal Office for Puerto Rico, San Juan,
Puerto Rico
U.S. Property and Fiscal Office for Texas, Austin, TX
514th Maintenance Company, Fort Drum, NY
782d Maintenance Battalion, Fort Bragg, NC
181st Ordnance Company, Fort Bliss, TX
U.S. Army Forces Command, Fort Stewart, GA
1st Battalion, 623rd Field Artillery, King Khalid
Military City, Saudi Arabia
71st Ordnance Detachment, Explosive Ordnance Disposal,
Dhahran, Saudi Arabia
215th Finance Section, Riyadh, Saudi Arabia
377th Quartermaster Company, Dhahran, Saudi Arabia
Headquarters and Headquarters Troop, 2d Squadron, 4th Cavalry,
Dhahran, Saudi Arabia
24th Signal Battalion, A Company, Dhahran, Saudi Arabia
Headquarters and Headquarters Company 1st Battalion, 181st Field
Artillery, Dhahran, Saudi Arabia
6th Aviation Battalion, 2d Attack Helicopter Headquarters,
Illesheim, Germany

ACTIVITIES VISITED OR CONTACTED (cont'd)

Department of the Army (Cont'd)

134th Medical Company, Riyadh, Saudi Arabia
Headquarters and Headquarters Troop Armored Calvary Squadron,
Dhahran, Saudi Arabia
B Company, Class IX, 498th Combat Service Battalion, Garlstedt,
Germany
217th Evacuation Hospital, Dhahran, Saudi Arabia
387th Engineer Company, Dhahran, Saudi Arabia
B Company, 24th Combat Service Battalion, Dhahran, Saudi Arabia
109th Quarter Master Company, Dhahran, Saudi Arabia
B Company, Military Intelligence Battalion Repair Parts, Dhahran,
Saudi Arabia
2123rd Transportation Company, Dhahran, Saudi Arabia
321st Support Center, Dhahran, Saudi Arabia
2d Maintenance Company, King Khalid Military City, Saudi Arabia
240th Military Police Company, Dhahran, Saudi Arabia
240th Combat Service Company, Furth, Germany
2d Armor Cavalry Regiment Maintenance Troop, Nurnberg, Germany
200th Theater Army Materiel Management Center, Zweibrucken,
Germany
Field Artillery Battalion, Hanau, Germany
Headquarters and Headquarters Detachment 37th Transportation,
Kaiserslautern, Germany
F Troop 2d Squadron, 2d Armored Cavalry Regiment, Nurnberg,
Germany
766th Repair Parts Company, Dhahran, Saudi Arabia
146th Medical Company, Dhahran, Saudi Arabia
608th Ordnance, Dhahran, Saudi Arabia
A Company, 782d Maintenance Battalion Class, Dhahran, Saudi
Arabia

Department of the Navy

Naval Supply Systems Command, Arlington, VA
Naval Air Systems Command, Arlington, VA
Naval Sea Systems Command, Arlington, VA
Naval Aviation Supply Office, Philadelphia, PA
Ships Parts Control Center, Mechanicsburg, PA
Naval Supply Depot, Yokosuka, Japan
Naval Supply Center, Norfolk, VA
First Combat Engineering Battalion, Camp Pendleton, CA
First Force Reconnaissance Company, Camp Pendleton, CA
First Tank Battalion, Camp Pendleton, CA
Marine Air Troop II, El Toro, CA
Seventh Engineering Supply Battalion, Camp Pendleton, CA
Special Boat Company, Unit 12, Amphibious Base, San Diego, CA
Deploy Unit Office, 1st Supply Battalion, Camp Pendleton, CA

ACTIVITIES VISITED OR CONTACTED (cont'd)

Department of the Navy (Cont'd)

Marine Aviation Logistics Squadron 11, El Toro, CA
Marine Aviation Logistics Squadron 16, Tustin, CA
Marine Corps Logistics Base, Barstow, CA
Naval Construction Battalion, Port Hueneme, CA
Navy Depot, Alameda, Alameda, CA
Navy Depot, San Diego, San Diego, CA
Naval Air Station, Norfolk, VA
Southwest Asia Management Supply Battalion, Camp Pendleton, CA
Shore Intermediate Maintenance Activity, Long Beach, CA
USS Arcadia AD-42, San Diego, CA
USS Denver LPD-9, San Diego, CA
USS Independence CV-62, San Diego, CA
USS Jason AR-8, San Diego, CA
USS McKee AS-41, San Diego, CA
USS New Orleans LPH-11, San Diego, CA
USS Okinawa LPH-3, San Diego, CA
USS Peoria LST-1183, San Diego, CA
USS Ranger CV-61, San Diego, CA
USS Stein FF-1065, San Diego, CA
USS Tarawa LHA-11, San Diego, CA
USS Flint AE-32, Concord, CA
USS Pyro AE-24, Concord, CA
USS Ford FFG-54, Long Beach, CA
USS Roanoke AOR-7, Long Beach, CA
USS Mars AFS-1, Oakland, CA
USS Tripoli LPH-10, San Diego, CA
USS America CV-66, Norfolk, VA
USS Biddle CG-34, Norfolk, VA
USS Eisenhower CV-69, Norfolk, VA
USS Guadal Canal LPH-7, Norfolk, VA
USS Inchon LPH-12, Norfolk, VA
USS Iwo Jima LPD-2, Norfolk, VA
USS Kennedy CV-67, Norfolk, VA
USS Manitowac LST-1180, Little Creek, VA
USS Nassau LHA-4, Norfolk, VA
USS Pensacola LSD-38, Little Creek, VA
USS Puget Sound AD-38, Norfolk, VA
USS Roosevelt CVN -71, Norfolk, VA
USS San Jancinto CG-56, Norfolk, VA
USS Shreveport LPD-12, Norfolk, VA
USS Spartanburg County LST-1192, Little Creek, VA
Beach Master 2, Norfolk, VA
Explosive Ordnance Disposal Mobile Unit 2, Norfolk, VA
Fleet Tactical Deception Group, Little Creek, VA

ACTIVITIES VISITED OR CONTACTED (cont'd)

Department of the Air Force

Headquarters, Air Force Logistics Command, Fairborn, OH
Air Logistics Center, San Antonio, TX
Air Logistics Center, Ogden, UT
323rd Fighter Tactical Wing Logistics, Mather Air Force Base, CA
60th Military Aircraft Wing, Travis Air Force Base, CA
831st Air Division, George Air Force Base, CA
1st Support Squadron, Langley Air Force Base, Norfolk, VA
1st Tactical Fighter Wing, Langley Air Force Base, Norfolk, VA
435th Tactical Reconnaissance Wing, Frankfurt, Germany
26th Tactical Reconnaissance Wing, Zweibrucken, Germany
66th Electronic Combat Wing, Sembach Airbase, Germany
50th Tactical Fighter Wing, Hahn Air Base, Germany
52d Tactical Fighter Wing, Spangdahlem Air Base, Germany
Air Training Command, Randolph Air Force Base, San Antonio, TX

Unified or Specified Commands

U.S. Central Command, Tampa, FL
U.S. Forces Command, Fort McPherson, GA

Defense Logistics Agency

Headquarters, Directorate Supply Operations, Alexandria, VA
Defense Automated Addressing System Office, Dayton, OH
Defense Construction Supply Center, Richmond, VA
Defense Electronics Supply Center, Dayton, OH
Defense Industrial Supply Center, Philadelphia, PA
Defense Personnel Support Center, Philadelphia, PA
Defense Industrial Plant Equipment Center, Memphis, TN

AUDIT TEAM MEMBERS

Shelton R. Young, Director, Logistics Support Directorate
James B. Helfrich, Program Director
John K. Issel, Project Manager
David L. Luce, Team Leader
Brian L. Henry, Auditor
Ronald L. Meade, Auditor
Eric T. Thacker, Auditor

FINAL REPORT DISTRIBUTION

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Assistant Secretary of Defense (Public Affairs)
Comptroller of the Department of Defense

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Inspector General, Department of the Army, Attn: Operations
Division

Department of the Navy

Secretary of the Navy
Assistant Secretary of the Navy (Financial Management)
Auditor General, Naval Audit Service

Department of the Air Force

Secretary of the Air Force
Assistant Secretary of the Air Force (Financial Management and
Comptroller)
Air Force Audit Agency

Defense Agency

Director, Defense Logistics Agency

Non-DoD Activities

Office of Management and Budget
U.S. General Accounting Office,
NSIAD Technical Information Center
NSIAD Logistics

Chairman and Ranking Minority Member of the Following Congressional Committees:

Senate Subcommittee on Defense, Committee on Appropriations
Senate Committee on Armed Services
Senate Committee on Governmental Affairs
House Committee on Appropriations
House Subcommittee on Defense, Committee on Appropriations
House Committee on Armed Services
House Committee on Government Operations
House Subcommittee on Legislation and National Security,
Committee on Government Operations